

Update on the Reorganization of the California Department of Health Services

July 12, 2006

It's been almost three months since Governor Schwarzenegger indicated his support for reorganization of the California Department of Health Services into the Department of Public Health and the Department of Health Care Services. Much activity has taken place, both publicly and within CDHS, since the Governor's announcement. Below are a summary of what has taken place so far and a preview of what the next steps will be during the upcoming months.

Accomplishments

- The department broadly distributed a document describing the highlights of the Governor's plan and a DRAFT program placement chart that illustrated the proposed composition of DPH and DHCS. .
- We established an email box (Reorg@dhs.ca.gov.) so external and internal stakeholders can provide suggestions and ask questions as the reorganization process unfolds. Attachment 1 is a synopsis of stakeholder comments the department has received thus far.
- We held two group reaction sessions with external stakeholders. The gist of the participants' reactions is creating a separate Department of Public Health has merit, but programs must be placed where they can best fulfill their missions and budget neutrality cannot be maintained at the expense of program services to patients, clients, business partners and the public.
- We held employee feedback sessions to allow departmental staff the opportunity to provide input on the proposed reorganization.
- Reorganization activities are occurring concurrently on six parallel tracks— Legislative, Programmatic, Legal, Information Technology Services, Administrative, and Project Management.
- Senate Bill 162 (Ortiz) is the legislative vehicle for the reorganization. The Assembly Health Committee passed an amended version of the bill on June 27, 2006. This version establishes the framework for the creation of DPH and DHCS, adds an advisory committee to DPH, but leaves open some program placement issues. The Committee's expectation is that the department and legislative staff will work with external stakeholders over the next several weeks to iron out these placement issues. The next committee hearing on SB 162 will be in Assembly Appropriations in August 2006.

Upcoming Activities

- **Legislative, Programmatic, and Legal** will work with stakeholders and key legislative staff to resolve the remaining program placement issues in SB 162.
- **Information Technology Services** will complete the survey of existing IT space and equipment and present the options for splitting or sharing infrastructure resources.
- **Administrative** and program managers will develop the policies and procedures for splitting programs between the two departments and the protocols for informing employees about their assignments post reorganization.
- **Administrative** staff will also finalize facility construction and space restacking plans needed to implement the reorganization.
- **Project Management** will select a Change Management Consultant, publish the master schedule for reorganization, and update information on the department's website.

Guiding Principles

The department is using the following set of operating principles to help manage the planning, policy and operational development, and implementation activities of the reorganization:

- **RECEPTIVITY**—Widely distributing a DRAFT program placement chart along with the highlights of the Governor's reorganization for public review, and established an email box for external and internal stakeholders' suggestions. The department has also held two group reaction sessions with external stakeholders, two meetings with the department's Section Chiefs and Above, and group meetings with the management teams of each member of DHS' Executive Staff. We plan to continue follow up meetings for all these groups this summer.
- **TRANSPARENCY**—Using stakeholder meetings and the website to inform stakeholders, policy makers, and the public about the major suggestions under consideration and to solicit reactions and further suggestions from those most impacted by a particular issue.
- **TIMELINESS**—Scheduling internal and external stakeholder meetings, soliciting reactions to suggestions, and publishing information on the website regularly, including a schedule of major milestones and monthly progress reports on meeting them.
- **CONSENSUS BUILDING**—Achieving consensus among external and internal stakeholders, based upon supporting information and sound reasoning. Stakeholders, policy makers and the public have a good grasp of the issues and how the reorganization will help California respond to them effectively.

Managing the Reorganization

The department has assembled a Project Management Team for the reorganization. Rich Bayquen is leading the team comprising Bob Tousignant and Pete Baldrige (Legal Services); Greg Franklin (Health Information and Strategic Planning); Christy Quinlan, Mike Nguyen and Nancy Johnson (Information Technology Services); and Mark Hutchinson, John Eastman, LaVonne Coen and Patti Samuel (Administration). Staffing the Project Management Team are Maureen Childs and Mark Helmar. The team is responsible for identifying all the tasks and activities needed to plan, develop, and implement the reorganization; scheduling and coordinating activities; producing or assigning work products; tracking progress; and bringing issues to the Director, Chief Deputies, and Executive Staff for decision-making.

Reorganization activities are occurring concurrently on six parallel tracks—Legislative, Programmatic, Legal, Information Technology Services, Administrative, and Project Management. A brief description of these tracks appears below:

- **LEGISLATIVE**— SB 162 is the legislative vehicle for the reorganization. The current focus has been on program placement issues—the *WHAT, WHERE and WHY* of the reorganization, and governance of DPH. The June 27 hearing in Assembly Health Committee gave stakeholders the opportunity to address their issues about program placement. The next committee hearing on SB 162 will be in Assembly Appropriations Committee in August.

After the Assembly Committee hearings, the bill will go to the Assembly floor for passage, back to the Senate for concurrence, and on to the Governor's desk for signature. SB 162 will become effective January 1, 2007: the new departments will be operative July 1, 2007. The Governor's Budget for 2007 will contain separate budgets for the DPH and DHCS.

SB 162 also requires the reorganization to be budget neutral—no increase or decrease in total funding when the reorganization takes place than was allocated to the Department of Health Services before the reorganization. There will be one-time and ongoing costs for implementing the reorganization, but these will be covered by existing resources within the department.

- **PROGRAMMATIC**—This track has been focused on program placement issues (the *WHAT, WHERE and WHY* of the reorganization). The Directorate and the Project Management Team met with Executive Staff, held two meetings with the department's managers (Section Chiefs and Above), and attended group meetings with the management teams of each member of Executive Staff. We will continue these internal meetings throughout the summer.

- **LEGAL**—This track has been identifying the statutory and regulatory issues resulting from the reorganization and providing legal guidance and technical assistance to resolve them. Besides drafting amendments to SB 162, the Office of Legal Services will be reviewing contracts and delegation orders to determine what changes should be made due to the reorganization, and identifying what Interagency Agreements must be created because DPH and DHCS will be separate legal entities after reorganization.
- **INFORMATION TECHNOLOGY SERVICES**—This track deals with how best to utilize the department’s IT space, equipment, software, and consulting services to provide adequate IT operations and support to both DPH and DHCS. The costs and benefits of having separate IT resources and the different options for sharing them will be carefully analyzed and reviewed internally and with appropriate control agencies. IT decisions made will have a significant impact on the amount of internal resources the department must redirect to maintain budget neutrality.
- **ADMINISTRATIVE**—This track embodies the *WHO, HOW and WHEN* aspects of the reorganization. All the operational and infrastructure issues that will be required to separate programs and staff into two departments must be identified, planned for, and staged within the routine administrative and budget cycles of state government.

Though SB 162 requires overall departmental budget neutrality, there will be costs associated with the reorganization. For example, there will be one-time costs for creating offices for the Director of Public Health and with buying new check writing equipment for DPH’s Accounting Section. There will also be ongoing costs, primarily associated with position upgrades or additional positions needed to manage or staff the core infrastructure units of any state department (Legal Services, Public Affairs, Civil Rights, Legislative and Governmental Affairs, Internal Audits, HIPAA Compliance, Personnel and Labor Relations, Financial Management, Information Security, and IT Project Management).

The department will cover these costs with existing resources. In doing so, we will not use any local assistance funds, regardless of fund source, thereby preserving the existing level of services to patients, clients, business partners and the public.

Department employees have asked how staff will be assigned to the two departments. We are proceeding first along program lines. If the program a person currently works in, Childhood Lead Poisoning Prevention for example, is going to be placed in DPH, that person will be assigned to DPH. If a program like the Office of Long-Term Care is placed in DHCS, then its staff will be assigned to DHCS. Programs that will be split between both departments (such as Accounting and Legal Services) are identifying their past year’s workload along program lines to give their program managers an objective basis for assigning staff. These managers, with assistance from Personnel Management and Labor Relations, have formed a workgroup to develop the policies and procedures for splitting up programs and the protocols for informing employees about where they are being assigned. We will

meet with union representatives to share these policies, procedures, and protocols before implementing them.

Other questions from employees deal with space and relocation. Both DPH and DHCS will occupy the East End Complex (EEC). Currently, plans are to minimize moving of staff within EEC for five major reasons:

1. Major programs like Public Health Emergency Preparedness, Office of Vital Records, the Center for Health Statistics, and Information Technology Services occupy spaces that were custom designed to meet specific program operational requirements.
 2. Several other major program components of the new departments already occupy the same buildings within the EEC.
 3. Having staff from the two departments share space fosters natural opportunities for communication and mutual problem solving between DPH and DHCS.
 4. Besides being very expensive, moving is stressful and disruptive for staff. Productive time is lost to packing, moving, unpacking, and settling into new space.
 5. Minimizing the relocation of staff within the EEC reduces the amount of internal resources the department must redirect to effect the reorganization.
- **PROJECT MANAGEMENT**—This track is management’s window to reorganization activities. The Project Management Team’s objectives are to lay out the master schedule of reorganization activities, coordinate among the project’s tracks, report on progress, identify issues for management decision-making, and provide information to stakeholders, policy makers and the public about the reorganization.

The Team regularly acknowledges comments and suggestions sent to the Reorg email box. It is developing the master schedule with critical milestones for the several project tracks, and will be presenting this schedule to the Directorate and Executive Staff for adoption. Once adopted, the master schedule will be published on the department’s website for viewing by stakeholders, policy makers and the public. It will be updated at least monthly, and as often as critical milestones are reached.

Because of the magnitude of the reorganization, the Project Management Team is procuring a Change Management Consultant to identify the change management needs of individual programs in the department and work with program managers and staff to overcome barriers and smooth the transition to their new departments.

Next Steps Through September 2006

Legislative, Programmatic, and Legal will work with stakeholders and key legislative staff to resolve the remaining program placement issues in the legislation to establish the Department of Public Health and the Department of Health Care Services.

Information Technology Services will complete the survey of existing IT space and equipment and present the options for splitting or sharing infrastructure resources. IT staff will also be engaged in systems design activities for DPH's active directory, email, database management, back up and recovery systems, etc.

Administrative will concentrate on identifying the internal resources required to be redirected for implementing the reorganization and documenting how we will meet the budget neutrality requirement without lessening the level of service to patients, clients, business partners and the public.

Additionally, the managers' workgroup will continue to work on developing the policies and procedures for splitting up programs and the protocols for informing employees about their assignments post reorganization. Staff will also finalize facility construction and space restacking plans needed to implement the reorganization.

Project Management will select the Change Management Consultant, publish the master schedule for reorganization, and update information on the department's website after both Assembly hearings.

We hope this report provided you with a general sense of the reorganization process, and what is planned to happen over the next few months. We value your input, so if you have any questions or want to give us feedback, please send a note to Reorg@dhs.ca.gov. Thank you.

Comments from Stakeholders

External stakeholders have voiced their concerns at two public meetings, through formal letters to Legislative members or the department, or via the “Reorg” email box. The general tenor of these comments is somewhat reserved—creating a separate Department of Public Health has merit, but must be done carefully to make sure that programs are placed where they can best fulfill their missions and that budget neutrality is not achieved at the expense of program services to patients, clients, business partners and the public.

Specific comments addressed the qualifications of the Director of Public Health—that there should not be the requirement that the Director be a physician since knowledge of medicine is not necessary for much of the work needed in public health, and that a Registered Nurse with a doctorate degree in Public Health or Nursing should also qualify to be the Director of DPH. On a similar note, one external stakeholder saw the reorganization as an opportunity to establish a Director of Public Health Nursing position within the new DPH.

Other stakeholders sent comments recommending the placement of specific programs in DPH, most notably Child Health and Disability Prevention, California Children’s Services, IMPACT and Family Pact. One organization urged the department to make the salary levels for scientists competitive with other public and private sector employers so that DPH could recruit and retain highly qualified scientific personnel.

Nearly fifty DHS employees sent comments to the “Reorg” email box. More than half of the comments were very positive in tone, with three expressing unfavorable opinions, and the rest seeking more information or asking questions. General suggestions included:

- Seize this opportunity to better organize DPH around public health priorities rather than along program lines.
- Keep programs which have both prevention and treatment components together as much as possible.
- Develop new roles for nurses that more fully use their nursing expertise.
- Use special funds to their maximum potential.
- Don’t overlook field offices when gathering input for reorganization.
- Use the expertise and knowledge of long-time staff to avoid problems associated with past reorganization efforts.
- Re-evaluate current Information Technology projects to avoid or minimize making systems changes now that will have to be redone in twelve to eighteen months.
- Use comprehensive planning and project management techniques to keep the reorganization on schedule.
- Periodically update employees about what is happening.

Some commenters made specific suggestions like:

- Include the licensing boards for physicians, nurses and other health practitioners in DPH.
- Include the Department of Managed Care in DHCS.
- Place the Environmental Laboratory Accreditation Program with programs that have an environmental focus rather than with Laboratory Sciences.

The negative comments decried the fact that reorganization returns to the organizational structure of the early 1970s (separate departments for public health and Medi-Cal), and urged the Administration and the department to focus on improving the organizational relationships that now exist rather than changing the structure of the organization.

Lastly, other employees posed questions rather than make comments or provide suggestions:

- How can I be part of the reorganization efforts?
- What are the costs associated with the reorganization?
- Will there be staff layoffs?
- Will we stay in the East End Complex?
- Will there be greater or fewer opportunities for upward mobility and promotions under the reorganized departments?

The responses, the insightful questions, and the concrete suggestions align well with the overall direction of the reorganization effort. Your continued participation is encouraged.